Middle East and North Africa Transition Fund

Date of Submission to Coordinatio

A. GENERAL INFORMATION

1. Activity Name

EGYPT: Support to MSME in Organic Clusters Project [1]

2. Requestor Information

Name: **Eng. Mohamed Hammam**	Title: **Assistant to the Minister in charge of international, Regional and Arab Financing institutions and Organizations**
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3. Recipient Entity

Name: **Ms. Ghada Waly**	Title: **Managing Director**
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4. ISA SC Representative

Name: **Ms. Gehane El Sokkary**	Title: **Principle Socio-Economist**
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[1] Clusters that evolved organically without government intervention

5. Type of Execution (check the applicable box)

√	Type	Endorsements	Justification
√	Country-Execution	*Attach written endorsement from designated ISA*	
	Joint Country/ISA-Execution	*Attach written endorsement from designated ISA*	*(Provide justification for ISA-Execution)*
	ISA-Execution for Country	*Attach written endorsement from designated ISA*	*(Provide justification for ISA-Execution)*
	ISA-Execution for Parliaments	*Attach written endorsements from designated Ministry and ISA*	

6. Geographic Focus

	Individual country (name of country): Egypt
	Regional or multiple countries (list countries): NA

7. Amount Requested (USD)

Amount Requested for direct Project Activities: (of which Amount Requested for direct ISA-Executed Project Activities):	US$ 2,000,000
Amount Requested for ISA Indirect Costs:[2]	US$ 60,000 (2%)
Total Amount Requested:	US$ 2,060,000

8. Expected Project Start, Closing and Final Disbursement Dates

Start Date:	June 2013	Closing Date:	June 31, 2016	End Disbursement Date:	December 31, 2015

9. Pillar(s) to which Activity Responds

Pillar	Primary (One only)	Secondary (All that apply)	Pillar	Primary (One only)	Secondary (All that apply)
Investing in Sustainable Growth. This could include such topics as innovation and technology policy, enhancing the business environment (including for small and medium-sized enterprises as well as for local and foreign investment promotion), competition policy, private sector development strategies, access to finance, addressing urban congestion and energy intensity.	√		**Enhancing Economic Governance.** This could include areas such as transparency, anti-corruption and accountability policies, asset recovery, public financial management and oversight, public sector audit and evaluation, integrity, procurement reform, regulatory quality and administrative simplification, investor and consumer protection, access to economic data and information, management of		

[2] ISA indirect costs are for grant preparation, administration, management (implementation support/supervision) including staff time, travel, consultant costs, etc.

			environmental and social impacts, capacity building for local government and decentralization, support for the Open Government Partnership, creation of new and innovative government agencies related to new transitional reforms, reform of public service delivery in the social and infrastructure sectors, and sound banking systems.		
Inclusive Development and Job Creation. This could include support of policies for integrating lagging regions, skills and labor market policies, increasing youth employability, enhancing female labor force participation, integrating people with disabilities, vocational training, pension reform, improving job conditions and regulations, financial inclusion, promoting equitable fiscal policies and social safety net reform.		√	**Competitiveness and Integration.** This could include such topics as logistics, behind-the-border regulatory convergence, trade strategy and negotiations, planning and facilitation of cross-border infrastructure, and promoting and facilitating infrastructure projects, particularly in the areas of urban infrastructure, transport, trade facilitation and private sector development.		

B. STRATEGIC CONTEXT

10. Country and Sector Issues

In the wake of January 25, 2011 "revolution", expectations for change in Egypt reached unprecedented heights. Two years later, the Egyptian economy still faces key economic and social challenges. The macroeconomic situation is characterised by a decline of international reserves, a widening fiscal deficit, an increase in capital outflows, while the decline in tourist arrivals and investments that resulted from the political upheavals of 2011 have not been reversed. Real rate of growth is estimated at 2.2% for FY 2011/2012, while unemployment increased to 13% from 9% two years earlier. Widespread poverty and inequalities continue engendering social vulnerability. Meanwhile, private sector activities are limited, while the financing availed to the private sector has weakened, with almost 53% of total deposits directed to finance government borrowing needs. Such trends make it increasingly difficult for the private sector, including Micro, Small and Medium Enterprises (MSMEs), to operate and flourish.

MSMEs are important drivers for poverty reduction and job creation, as they represent over 99.7% of all private non-agricultural enterprises in Egypt, account for 85% of non-agricultural private sector employment, and almost 40% of total employment. MSMEs have been the primary absorber of labor force entrants over the past years and contribute significantly to employment generation, albeit mostly in the informal sector. MSMEs are also the major provider of products and services for local markets, particularly for lower-income segments with limited purchasing power. It is widely believed that the MSMEs and the informal sector at large have acted as a solid buffer, attenuating the impact of the crisis on Egyptians, particularly the vulnerable groups. Despite its potential, the MSME sector faces a multiplicity of constraints that hinder its performance and affects the outcome of its role as an economic catalyst. In addition to the well-known financial constraints, MSMEs face a myriad of non-financial obstacles such as obtaining the required inputs, producing and marketing a competitive product, obtaining knowledge on the latest know-how and on market requirements, in addition to an inadequate institutional, legal and regulatory environment.

Cluster development is an efficient and effective means of supporting MSMEs and unleashing their potential. Clusters constitute a favourable environment for encouraging

competitiveness, innovation and growth between, and amongst, MSMEs. Clusters allow MSMEs to harness their collective power towards improved access to resources, networking opportunities, strategic information and business partners. Furthermore, support interventions by the government, the private sector and NGOs accrue in cluster communities and spill over into the surrounding industrial, service, and trade areas benefitting communities at large. This was well documented in a 2011 MSE survey conducted by the Social Fund for Development, where respondents confirmed multiple benefits gained out of being part of a cluster community, including ability to open up to new markets, promoting inter-firm linkages, serving needs of neighbouring clients', acting as subcontractors, ease of purchasing on instalments, improved access to new technologies and accurate and reliable information, as well as facilities in cases of dispute settlements. Examples of clusters in Egypt include Damietta, Shubra El-Kheima, Manasra, Mahala-El Kubra and Kaha. While many of these clusters are established in the various industrial areas and free zones that exist in Egypt, estimated at over 102 industrial areas exist in various stages of development, there are also a large number of 'unplanned' or organic clusters that have mushroomed over the years.

The organic clusters currently constitute a mass with substantial potential, which unless well harnessed, can become a liability affecting the health of the population as well as the competitiveness and export capacities of the country. Indeed, although organic MSMEs are productive, there are a number of quality related challenges that need to be addressed. For example, bad quality processed foods can lead to serious health concerns; similarly flawed items in the automobile feeding industries can lead to car accidents and loss of human life. In addition to poor quality, defected items, MSMEs in organic clusters have a tendency to damage the environment and provide indecent jobs across all sectors. These are concerns that need to be addressed through awareness raising, promotion of value-chain development and integration within the formal sector.

The provision of Business Development Services to organic MSME clusters in the manufacturing sector will harness their potential and turn them into reliable agents for the feeding industries. Due to insufficient funding, lack of information and insufficient data, and limited support, clusters in Egypt lack the provision of common facilities and services. Although there has been some support provided in the past to clusters, it has mostly been availed to 'formal' clusters, mostly conducted as a one-time intervention with no clear sustainability plan nor further efforts beyond the life of the project. Such an ad-hoc basis, without sustainable efforts beyond the life of the initiative. Indeed, cluster development is a long-term initiative and needs to be recognized as such by policy makers so as to facilitate integration amongst and between these clusters and the larger industries to harness their true potential. Therefore, in addition to an enabling environment, organic MSME clusters require finance as well as non-financial services such as services to improve production, innovate, formalize, and market their produce. These challenges are particularly pronounced in the case of organic/unplanned MSME clusters. The latter are in great need for a full range of Business Development Services (BDS) and support mechanisms, including: (i) research and development provided through partnerships with universities and dedicated institutions; (ii) counselling and training services; (iii) information, legal and accounting services; (iv) design, quality and prototyping facilities; (v)business linkages; (vi) residential, recreational and community centres; (vii) export services and international outreach; (vii) financial services (grants, loans, equity, etc.); (viii) testing facilities, measurement and control equipment, and so forth. Given the substantial investment required for the provision of quality BDS, it is important to carefully select the specific cluster(s) for support. Evidence suggests that cost-effectiveness of BDS is increased by a number of factors including: geographic proximity, demand-driven, a design allowing for strengthened linkages amongst MSMEs, and support by policy measures. Examples of important organic clusters that have mushroomed over the years include: Sha'a El Te'aban district in Cairo - specializing in marble manufacturing; Salamon El Omash and Meet Ghamr in Daqahliya - specializing in knitting and aluminium utensils respectively; and Damietta, for furniture manufacturing activities.

11. Alignment with Transition Fund Objective

The objective of the Transition Fund is "to improve the lives of citizens in transition countries, and to support the transformation currently underway in several countries in the region (the "Transition Countries") by providing grants for technical cooperation to strengthen governance and public institutions, and foster sustainable and inclusive economic growth by advancing country-led policy and institutional reforms".

The proposed project is in full alignment with the Transition Fund objective as follows:

(i) "Governance and Public Institution Strengthening:" the proposed project includes specific activities targeting the stakeholders of the manufacturing clusters, such as the dedicated manufacturing councils, the chambers of commerce, the industrial development agency, the industrial zone management units, the Ministry of Industry, the environmental agency, the local councils, the private sector and SFD. Activities will focus on building capacities, coordination, information sharing and dissemination, participatory decision-making processes, monitoring and evaluation, evidence-based analysis, and so forth.

(ii) "Sustainable and inclusive economic growth:" the main target of the project- organic MSME clusters- are inherently excluded from official development plans and concepts, since their establishment is based on informality. This proposal seeks not only to acknowledge their existence, but additionally, to integrate them and include them in the development plan of the country as important players towards employment generation, economic growth and improved competitiveness. Some organic clusters have a particularly high female component, such as the carpet weaving and textile clusters; and most workers in these clusters are youth- unskilled and semi-skilled. This project will therefore be gender and youth-sensitive and throughout the project, all activities undertaken will ensure wide-spread participation at all levels. The component related to the pilot project to be conducted, will be entail a cluster prioritization analysis so as to be able to select a cluster with the basic required potential for use in the pilot. Amongst the criteria to be used in the cluster prioritization analysis are: growth potential; opportunities for linkages; employment generation potential; and value-added potential. Once identified, this cluster will be availed both financial and non-financial services.

With regards to the Transition Fund pillars, the Project Proposal corresponds primarily to the thematic area/pillar entitled: "Investing in sustainable growth". The main goal of the proposal is to support the growth and development of productive MSMEs by improving the enabling environment in which they operate, as well as through enhanced capacity building aimed at fully integrating these MSMEs in the value-chain, and creating forward and backward linkages as well as networks that are mutually beneficial. As such, the proposal is well aligned to the sustainable growth thematic area. In addition, given that SMEs are a driver of growth and innovation and have been known to create jobs, the proposal is also aligned with the second thematic area entitled: "Inclusive development and job creation".

12. Alignment with Country's National Strategy

This proposal is closely aligned with the Government of Egypt's National Strategy as detailed in each of the following strategic documents and plans:

1. **The SME Near Term Plan, of which policy objective no. 5 relates to the expansion of the capacities of SMEs to integrate in the global value-chain.**
   - By building linkages and networking between and amongst private sector actors, government, NGOs and select SMEs in a given cluster, the project will contribute to the objective of the government which supports value chain development and the integration of SMEs within these chains.
   - By recommending policy options for the GoE to integrate cluster-based SME development

into the national frameworks, this proposal will contribute to addressing the current vacuum in terms of policy framework.
- By implementing an actual pilot that can be replicated, the proposal will be paving the way for full-fledged implementation of the government objective in this regard.

2. **"Egypt, The Way Ahead" (September 2011) presented to the Deauville Partnership Countries, which clearly cites the strategic objective of supporting MSME development for economic growth and employment generation,** through "developing appropriate financing and credit schemes, know-how, integration with big upstream and downstream enterprises, establishment of industrial clusters, incubators, and business angels, ensuring equitable participation in government procurement, and others. Advancing feeding industries, including in automotive and appliances sectors; and developing small and micro (sub) contractors can have considerable impacts on promoting SMEs in Egypt."
3. **Egypt's Industrial Development Strategy**, which promotes technical skills towards industrial value-addition, and the need to strengthen backward and forward linkages in industry between large firms and SMEs with the potential of becoming feeding industries
4. **The Informal Settlement Development strategy,** which includes a plan to re-habilitate informal residential and business settlements with special consideration given to safety, pollution abatement, sound water and sanitation channels, etc.
5. **The policy outcomes of this project will feed into Egypt's National MSME strategy that is under formulation and led by the SFD.**

C. PROJECT DESCRIPTION

13. Project Objective

The project's objective is to create an overall enabling environment for Micro, Small, and Medium Enterprises (MSMEs) operating out of organic clusters and increase their contribution towards economic growth and employment. The direct beneficiaries of this nationwide project will be owners and workers in organic cluster MSMEs, while the indirect beneficiaries will include the entire population. The outcome of this project will feed into the larger policy framework for the MSME which is under development and currently led by the SFD.

14. Project Components

The proposed project is based on a three-pronged approach addressing challenges at the macro, meso and the micro levels: At the macro-level, activities will be policy-focused and will be conducted through dialogue, awareness raising and advocacy. At the meso level, activities will be institutional-based, focusing on the direct stakeholders and their needs, and will include capacity building, information sharing and dissemination, and the creation of linkages. At the micro-level, a pilot on a specific cluster will be implemented, and will entail the provision of the required financial and non-financial services. These activities will be implemented in parallel, and their outputs will build upon one another.

Component 1: Policy recommendations towards an enabling environment for the development of MSMEs in organic clusters.

Under this component, evidence-based research and participatory stakeholder consultations will be used to identify priority policies required for enhancing the competitiveness of clusters, including the integration of organic clusters within the productive value-chain. This will include taking stock of previous and exiting local experience as well as Best Practices from countries with similar contexts. Sub-components and activities in this component will include:

Sub-component 1.1: Conducting information gathering, and data analysis, on organic clusters and support programmes:

1. Mapping existing organic clusters by sector/region in Egypt.

2. Mapping, reviewing and analysing existing programmes in support of organic clusters.
3. Compiling research on Best-Practices from countries with similar contexts, in collaboration with UNIDO, and Small Industries Development Bank of India (SIDBI), to present some options for consideration.
4. Conducting an assessment of existing organic clusters to verify their potential in terms of critical growth, employment and value-addition factors. A minimum of 3 clusters will be assessed according to pre-selected criteria to be developed and justified. Clusters with high rates of female and youth employment or employment potential will be favoured.
5. Identifying along the value chain, the link between small SME organic clusters and larger industrial firms, towards increasing the country's competitiveness. This could inform how vertical supply chains can be informed and the effect of that upstream small producers have on job creation and job security. This activity will assist locating current resources and resources gaps, as well as a strategy to find untapped and unrecognized resources appropriate to a given sector.
6. Organizing multi-stakeholder validation workshops, based on the findings of the assessment and the research on Best Practices. At least 4 workshops will be conducted.
7. Support information systems will be established for dissemination of studies and analysis, as well as stakeholder coordination purposes. This includes a web-portal.

Sub-component 1.2: Draft policy recommendations for inclusion in national strategy:

1. Producing policy briefs that recommend specific policy options to be introduced to select committees, including parliamentary members and ministerial working committees, for inclusion and adoption in national strategies.

Component 2: Institutional and operational capacity building for key support institutions and stakeholders working with organic MSME clusters.

Under this component, key support institutions and stakeholders will benefit from capacity building interventions to improve their understanding of MSME cluster management and development so as to enable them to take informed decisions in support of the needs of the different organic clusters that have the potential to contribute to the improvement of the country's competitiveness. Sub-components and activities in this component will include:

Sub-component 2.1: Enhance the capacity of governmental and non-governmental support institutions towards cluster development and integration:

1. Conducting an in-depth stakeholder analysis of support institutions at the national level, and specifically for the pilot that will be implemented identified under component 1 and to be implemented under component 3.
2. Raising awareness of the stakeholders, through workshops, roundtable discussions and presentation of Best Practices on the importance of cluster development and their integration in the various value-chains. This activity will focus on the governorate level, and will target local government representatives, the municipalities, members of local chambers of commerce and business associations, local representatives of the various environmental and industrial authorities, etc.
3. Building capacities of stakeholders, including SFD and key support institutions towards improved cluster identification and management, with a focus on organic MSME clusters. This would take place through various levels of cluster management and development trainings, in collaboration with UNIDO, as well as through a maximum of two study tours to countries with experience in the area such as India, Italy and Turkey in cooperation with expert cluster development organizations such as KOSGEB, and SIDBI..

Sub-component 2.2: Support the establishment of a sustainable cluster management methodology/system:

1. Create a basic BDS service provider's database in the selected pilot sector/governorate.
2. Based on international experience, conduct a feasibility study on the establishment of a

defined cluster self-governance and management system to ensure sustainability. This model relies on the establishment of cluster management private companies, with a revolving loan fund. Based on feasibility study conducted, a model will be tested in the pilot intervention (component 3). The particular experience of UNIDO will be built upon. Any policy constraints that appear in this activity, will be incorporated in component 1 and addressed.

Component 3: Increase organic MSME contribution to manufacturing value added (pilot project)

MSMEs are particularly weak in manufacturing and in need of substantial capacity building, coaching and on the job training. By bolstering production capacity, improving productivity, enhancing know-how and access to up-to-date technology, and focusing on value-addition, the overall productivity and value-addition by industrial MSMEs can be significantly increased towards impacting Egypt's overall competitiveness. Preliminary research show the following clusters to have substantial potential: furniture in Sohag and Damietta; herbs and spices in Beni Suef; carpets and kelims in Menofeya; and leather in Roubek. The analytical work conducted in component one will assist in the identification and selection of a specific cluster to work with. Priority in the selection will be given to clusters where there is a substantial involvement of women and youth.

Under this component, and within the framework of an identified cluster (from component 1), the following sub-components will be implemented:

Sub-component 3.1: Develop an action plan for the selected pilot

1. An in-depth diagnostic study of the specific cluster will be conducted. This will include a needs assessment with a focus on the services required for improved operation, as well as conducting baseline information for monitoring and evaluation purposes, and social and environmental impact assessments;
2. Cluster stakeholder consultations will be conducted to validate the identified needs and prepare, using participatory approaches, a joint cluster vision and action plan that clearly spells out the service delivery based activities to be implemented.

Sub-component 3.2: Enhance BDS, financial services in identified pilot

3. Tailored financial services and business development services will be availed to the members of this cluster, facilitated through SFD's regional office and mobile units. BDS service providers will be used, and priority will be given to those that have been certified. The non-financial services envisaged may include: (a) general basic training related to resource mobilization, such as business plan development, loan proposal development, etc; b) dedicated technical training to improve the efficiency and effectiveness of existing techniques used by MSMEs in their day to day work; (c) marketing oriented trainings; (d) soft skills training such as negotiation and contracting., In addition, depending on the needs assessment conducted, there may be a need to avail the services of experts for on-job training, mentoring and coaching. The experience of UNIDO, and the Small Industries Development Bank of India (SIDBI), amongst others be instrumental in this regard.

Sub-component 3.3: Integrate cluster-based MSMEs development into national policy frameworks

4. An impact assessment will be undertaken at the end of this component to assess the outcomes of the intervention with a view to further promote the full integration of organic SMEs in the development plans of the country and the roll-out of independent cluster management companies as a model for cluster development.

Component 4: Project management

Under this component, all activities related to project management will be addressed. These include: recruitment of a project manager and a deputy manager; field missions; annual external audit; and other overhead expenses.

15. Key Indicators Linked to Objectives

Policy framework for organic cluster development drafted and advocated

Unemployment rate

D. IMPLEMENTATION

16. Partnership Arrangements (if applicable)

The proposed project will benefit from a number of existing partnership agreements both locally as well as internationally. Within Egypt, the SFD will partner with a wide number of ministries, such as the Ministry of Industry and Foreign Trade, the Ministry of Investment, the Ministry of State for Administrative Development, the Ministry of Local Development, as well as with a number of authorities and entities, including the Industrial Development Authority, the SME branch of the General Authority for Foreign Investment, the Informal Settlement Fund, the local councils, as well as the private sector and the NGO sector.

From outside Egypt, the project will benefit from the partnership agreement between the SFD and Small Industries Development Bank of India (SIDBI) which focuses on exchanging experiences in clusters development, solicitation of experts and dissemination of Best Practices. SFD will, also seek to cooperate with UNIDO in the same regard. In addition, there are on-going consultations to explore potential cooperation with the Foundation Cluster's Competitiveness, together in collaboration with the AfDB.

17. Coordination with Country-led Mechanism/Donor Implemented Activities

This proposal will benefit from **synergies and complementarities** with the second proposal submitted to the MENA TF by the SFD and European Bank for Reconstruction and Development on MSME support programme,. In particular, synergies will be made at two distinct levels between the two projects: **at the level of policy formulation** and the related capacity raising of the SFD (which is the first component under the other project) and **at the level of the training and certification of BDS service providers,** envisaged under the second component of the other project.

In addition, preliminary agreement was established with the Egyptian National Competitiveness Council (ENCC), who are submitting a proposal to the TF with the OECD, to have joint activities under this component with a focus on advocacy. It is foreseen that the work conducted in both components is going to be undertaken by the planned Policy Unit in the SFD.

In recent years, Egypt has benefitted from several donor-financed interventions in MSMEs development, value-chain development and for support to informal settlements. Given that the proposed project cuts across these three domains, the project design and implementation team will ensure that **lessons learnt** from past and on-going interventions will be incorporated in this

initiative. In terms of locally-based interventions, particular consideration will be given to CIDA's extensive experience in the design and provision of BDS and in the support of dairy, textile, and artisanal productions, USAID's support of the furniture, clothes and leather clusters, JICA and the UN's support of the agribusiness cluster, the EU's interventions in value-chain development, and GIZ and ILO's work in informal settlements. In addition, lessons learnt from the joint SFD's/AfDB cluster development experience in the furniture, dairy and horticulture sectors will also be considered. The AfDB will provide technical expertise through its Inclusive Industries Programme which promotes systematic, integrated, country and industry-differentiated approach and focuses on linkages between local business communities, MSMEs and large industrial enterprises.

Coordination with donors will be satisfied through AfDB's involvement in the Development Partner's Group and particularly in the SME subgroup. Continuous flow of information will be passed through this forum and donor experiences will be solicited so as to identify linkages such as with CIDA's EEDP Project and UNIDO's export consortia project. Additionally, SFD's Board of Directors (BoD) includes experts, practitioners, private sector members, key ministries and is chaired by the Prime Minister. This structure of the BoD will facilitate fostering and consolidating a collaborative and consultative approach in implementing the proposed project. Furthermore, a High Ministerial Council for MSMEs, is expected to be established soon, and will be another venue for coordinating the activities of the project.

18. Institutional and Implementation Arrangements

The implementing agency will be the Social Fund for Development (SFD), founded in 1991 as a social safety net and mandated since 2004 to be the lead institution for the development of small enterprises under the Small Enterprise Law of 141/2004. SFD is a financially and legally autonomous entity, working towards poverty reduction and employment generation through the development of MSEs. SFD operates through a regional network of 31 offices located nationwide, and provides MSEs with financial and non-financial services. In particular, it supports MSEs by availing micro and small loans, directly as well as through intermediary financial partners; it plays an advocacy role; and it provides and facilitates business development services.

For increased efficiency and sustainability purposes beyond the life span of the project, **a project implementation unit** will be established within the SFD, composed of two external long term consultants to be recruited and complimented by full time SFD staff from the Industrial unit under the Non-financial Department.

Overall direction for the Project will be provided by the **Project Steering Committee (PSC),** which include senior management of SFD, the AfDB, and representatives of key ministries such as the Ministry of Industry and Trade. Day-to-day management of the project will be the responsibility of the SFD, with oversight and guidance by the AfDB, as ISA according to the role identified in the Transition Fund Operation Manual.

19. Monitoring and Evaluation of Results

At the onset of the project, **a baseline assessment** will be undertaken. This will be useful during the mid-term review of the project and upon completion, allowing for accurate project impact assessment.

Throughout implementation, continuous project monitoring will be based **on field missions** (at least 2 per year), **quarterly progress reports** as well as regular dialogue and meetings between the Project team and the AfDB Egypt Field Office staff.

A mid-term review will be conducted at mid-life of the project. This will enable any major concerns to be addressed and will allow for change of direction, should it be necessary.

A **project completion report**, at the end of the project will be developed. This will clearly assess the outcome of the project against the planned targets and the key performance indicators. Lessons learnt will be a main part of the report.

From a financial management perspective, **annual external audits** will be conducted to ensure that the grant funding is being utilized as per the rules and regulations and is being spent on the agreed upon activities.

E. PROJECT BUDGETING AND FINANCING

20. Project Financing (including ISA Direct Costs[3])

Cost by Component	Transition Fund (USD)	Country Co-Financing (USD)	Other Co-Financing (USD)	Total (USD)
Component 1: **Policy recommendations towards an enabling environment for the development of MSMEs in organic clusters.** (a) Sub-component 1.1: Conduct information gathering, and data analysis, on organic clusters and support programmes (b) Sub-component 1.2: Draft policy recommendations for inclusion in national strategy	**505,000** 480,000 25,000			
Component 2: **Institutional capacity building for key support institutions and stakeholders working with organic MSME clusters.** (a) Sub-component 2.1: Enhance the capacity of governmental and non-governmental support institutions with regard to pilot cluster (b) Sub-component 2.2: Establish a sustainable cluster management methodology/system	**520,000** 330,000 190,000			
Component 3: **Increase MSME contribution**	**520,00**			

[3] ISA direct costs are those costs related to the ISA's direct provision of technical assistance within the project.

to manufacturing value added (pilot) (a) Sub-component 3.1: Develop an cluster action plan for the selected pilot (c) Sub-component 3.2: Enhance BDS, and Financial Services in identified pilot (d) Sub-component 3.3: Integrate cluster-based MSMEs development into national policy frameworks (b)	**0** 70,000 400,000 50,000			
Component 4: Project Management (a) Recruitment of Manager (3 years) (b) Recruitment of M& E expert (3 years) (c) Staffing of unit (2 persons for 3 years) (d) Computer and equipment (e) Annual external audits (3 years) (f) Field supervision costs (g) Consultant for Project completion report (h) Contingency	**395,000** 180,000 108,000 17,000 60,000 30,000	 In-kind In-Kind In-kind		
Project Direct Costs	**1,940,000**			
Total Project Cost	**2,000,000**			

21. Budget Breakdown of Indirect Costs Requested (USD)

Description	Amount (USD)
For grant preparation, administration and implementation support:	
Staff time (EGFO and HQ staff as necessary)	40,000
Staff travel & supervision missions (EGFO & HQ staff as needed) participation in 1 study tour (3 years)	20,000
Total Indirect Costs	**60,000**

F. Results Framework and Monitoring

Project Development Objective (PDO): Create an overall enabling environment for Micro, Small, and Medium Enterprises (MSMEs) operating out of organic clusters and increase their contribution towards economic growth and employment.											
PDO Level Results Indicators*	**Unit of Measure**	**Baseline**	**Cumulative Target Values****					**Frequency**	**Data Source/ Methodology**	**Responsibility for Data Collection**	**Description (indicator definition etc.)**
			YR 1	**YR 2**	**YR3**	**YR 4**	**YR5**				
Indicator One: Regulation and laws adopted by government related to integration of organic cluster in the development plans	Qualitative	No regulation exist			Policy option developed			End of Project	Qualitative research	SFD/AfDB	Project contributes to formulation of new policies
Indicator Two: Unemployment rate	**%**	**13**	12.8	12.6	12.4			Annual			
INTERMEDIATE RESULTS											
Intermediate Result (Component One): Policy recommendations towards an enabling environment for the development of MSMEs in organic clusters											
***Intermediate Result indicator One*:** Policy framework for organic cluster development drafted and advocated	Binary	No Framework			1			Annual	Policy framework available amd disseminated	SFD/AfDB	
***Intermediate Result indicator Two*:** studies supporting cluster's, policy decision making conducted	**Number**	0	1	3				Annual	Project annual reports	SFD/AfDB	
Intermediate Result (Component Two): Institutional capacity built for key support institutions and stakeholders working with organic MSME clusters											
***Intermediate Result indicator One**: number of stakeholders trainees*	Number	0	10	30	50			Quarterly	Project reports	Project	
Intermediate Result	Number	0	2	2				Annual	Project	Project	

indicator Two*: number of institutions participated in study tours and roundtables*									reports		
Intermediate Result (Component Three): MSME contribution to manufacturing value added increased in pilot											
Intermediate Result indicator One: % increase in contribution of organic MSMEs to manufacturing value-added in identified cluster (gender disaggregated)	**%**	0	0	10%	50%			Quarterly	Project reports	Project completion report	
Intermediate Result indicator Two: % increase in demand for financial and non-financial services tailored to develop MSMEs in cluster (gender disaggregated)	% increase in number of loans and services	0	0	10%	50%			Annual	Project reports	Project	